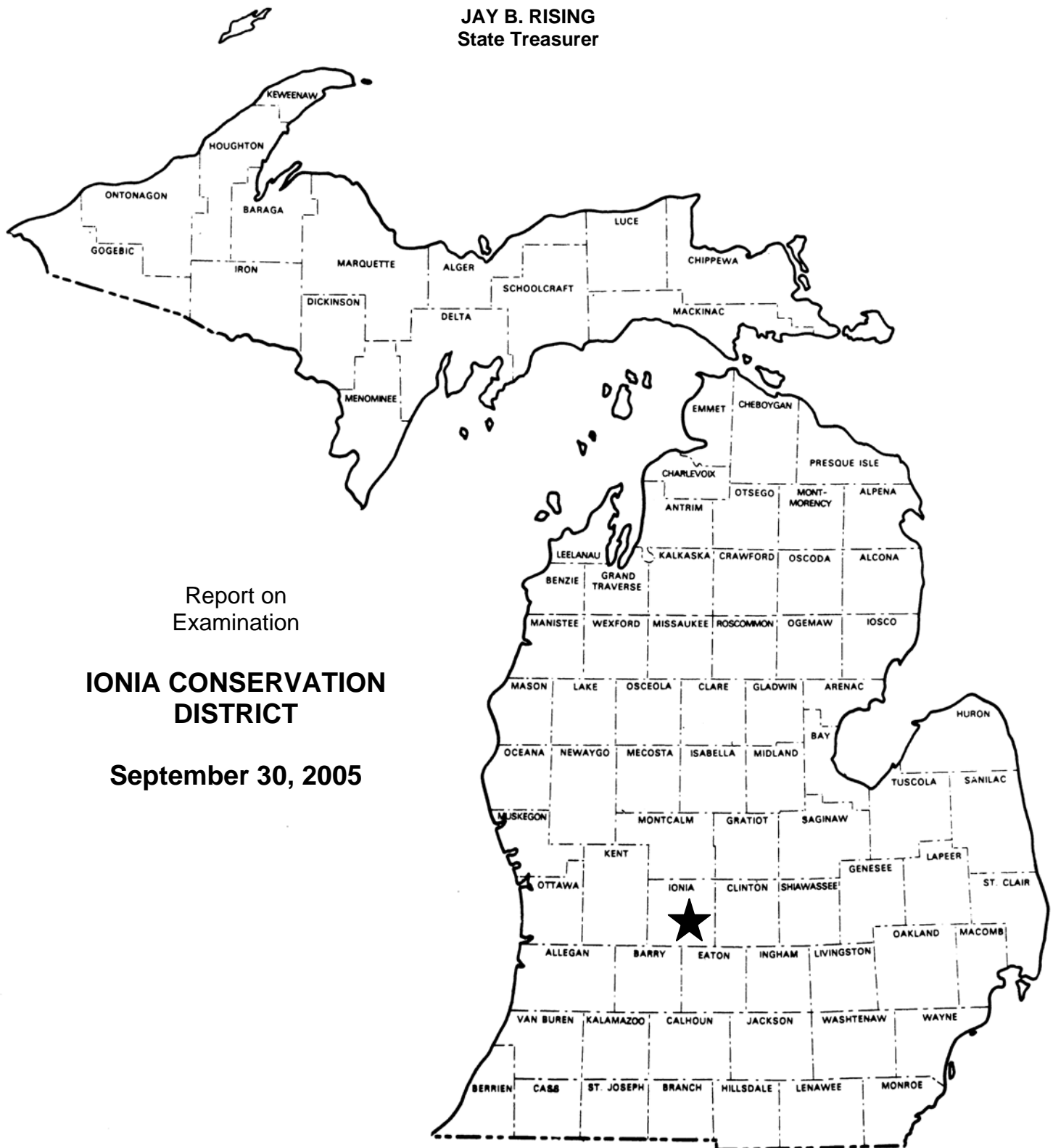


STATE OF MICHIGAN
JENNIFER M. GRANHOLM, Governor
DEPARTMENT OF TREASURY

JAY B. RISING
State Treasurer



Local Audit and Finance Division
Bureau of Local Government Services

IONIA CONSERVATION DISTRICT
BOARD OF DIRECTORS

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JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

JAY B. RISING
STATE TREASURER

November 14, 2005

Board of Directors
Ionia Conservation District
2568 Heartland Boulevard
Ionia, Michigan 48846-8438

Independent Auditor's Report

Dear Directors:

We have audited the accompanying financial statements of the Ionia Conservation District, Ionia, Michigan, as of and for the year ended September 30, 2005, which collectively comprise the Conservation District's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Ionia Conservation District's management. Our responsibility is to express opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Ionia Conservation District, as of September 30, 2005 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated November 14, 2005, on our consideration of the Ionia Conservation District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and the Budgetary Comparisons are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Ionia Conservation District's basic financial statements. The Statement of Revenues and Statement of Expenditures, Exhibit E and Exhibit F, are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Those statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements, taken as a whole.



Cary Jay Vaughn, CPA, CGFM
Audit Manager
Local Audit and Finance Division

IONIA CONSERVATION DISTRICT

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IONIA CONSERVATION DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Using this Annual Report

The Ionia Conservation District's discussion and analysis is designed to: a) assist the reader in focusing on significant financial issues; b) provide an overview of the Conservation District's financial activity; c) identify changes in the Conservation District's financial position (its ability to address the next and subsequent year challenges); d) identify any material deviations from the approved budget; and e) identify any issues or concerns.

Overview of the Financial Statements

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the Conservation District.

- The government-wide financial statements (Statement of Net Assets and Statement of Activities) provide both long-term and short-term information about the Conservation District's overall financial status. These statements report information about the Conservation District, as a whole, using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid. The two government-wide statements report the Conservation District's net assets and how they have changed.
- The fund financial statements focus on individual funds; reporting the operations in more detail than the government-wide statements.

Reporting the Conservation District as a Whole

The Statement of Net Assets and the Statement of Activities report information about the Conservation District, as a whole, and about its activities in a way that helps answer the question of whether the Conservation District, as a whole, is better off or worse off as a result of the year's activities. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting method used by most private-sector companies. All of the year's revenues and expenses are taken into account regardless of when cash is received or paid.

The two statements mentioned above, report the Conservation District's net assets and changes in them. The reader can think of the Conservation District's net assets (the difference between assets and liabilities) as one way to measure the Conservation District's financial health or financial position. Over time, increases and decreases in the Conservation District's net assets are one indicator of whether its financial health is improving or deteriorating.

IONIA CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

Report the Conservation District's Major Fund

The fund financial statements begin on page seven and provide detailed information about the major fund. The Conservation District currently has only one fund, the General Operations Fund, in which all of the Conservation District's activities are accounted. The General Operations Fund is a governmental type fund.

- Governmental Fund--The governmental fund focuses on how money flows into and out of this fund and the balances left at year end that are available for spending. This fund is reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Conservation District's general governmental operations and the basic service it provides. Governmental fund information helps the reader to determine whether there are more or fewer financial resources that can be spent in the near future to finance the Conservation District's services. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and the governmental fund in a reconciliation on the financial statements.

The Conservation District as a Whole

The Ionia Conservation District provides informational and educational activities that promote the understanding and implementation of natural resource conservation. Therefore, the Conservation District is involved in many educational and conservation programs such as: tree distribution, No-till drill, grass/wildflower seed distribution, backyard naturescapping, wildlife habitat, adult workshops, classroom presentations, project wet, project learning tree, and Water Festival.

The Conservation District does not have an investment in capital assets.

The District's net assets for the governmental funds decreased \$22,062 from a year ago for the governmental activities due to a reduction in the number and type of grants received and soft spring tree sales. In a condensed format, the table below shows a comparison of the net assets as of the current year to the prior year.

IONIA CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

	Governmental Activities 2004	Governmental Activities 2005	Difference	Percent
Current Assets	\$ 41,397	\$19,658	\$ (21,739)	-53%
Total Assets	41,397	19,658	(21,739)	-53%
Current Liabilities	6,667	6,990	323	5%
Total Liabilities	6,667	6,990	323	5%
Net Assets				
Unrestricted (Deficit)	34,730	12,668	(22,062)	-64%
Total Net Assets	\$ 34,730	\$12,668	\$ (22,062)	-64%

Changes in Net Assets

Revenue was affected by changes in product demand due to offered Farm Bill programs. Specific services of seed and drill were down as a result. It was also affected by cuts of the Operations Grant and TSP Grant. Expenses increased due to the board's decision to increase District activities and keep public awareness by offering more educational programs at no or low cost to the participant.

A summary of changes in net assets for the year ended September 30, 2005 follows:

	Governmental Activities 2004	Governmental Activities 2005	Difference	Percent
Program Revenues				
Charges for Services	\$ 120,366	\$ 54,470	\$ (65,896)	-55%
Operating Grants and Contributions	42,015	31,469	(10,546)	-25%
General Revenues				
Unrestricted Investment Earnings	126	382	256	203%
Other Revenue		280	280	100%
Total Revenues	162,507	86,601	(75,906)	-47%
Program Expenses				
General Government			-	
Community and Economic Development	168,954	108,663	(60,291)	-36%
Total Expenses	168,954	108,663	(60,291)	-36%
Change in Net Assets	\$ (6,447)	\$ (22,062)	\$ (15,615)	242%

IONIA CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

The Conservation District's Fund

The Conservation District's General Operations Fund is used to control the expenditures of Michigan Transportation Fund monies, distributed to the county, which are earmarked by law for road and highway purposes.

For the year ended September 30, 2005, the fund balance of the General Operations Fund decreased by \$19,843 as compared to an decrease of \$6,447 in the fund balance for the year ended September 30, 2004. Total operating revenues were \$86,601, a decrease of \$75,906 as compared to last year, which was primarily the result of a decrease in charge for services comprised mostly of seed sales in the amount of \$65,896.

Total expenditures of \$106,444, equaled a decrease of \$62,510 as compared to last year. This change in expenditures is primarily the result of a decrease in the purchase of inventory for resale and a reduction in wages. The District lost its grant administrator.

Budgetary Highlights

Prior to the beginning of any year, the Conservation District's budget is compiled based upon certain assumptions and facts available at that time. During the year, the Conservation District's Board acts to amend its budget to reflect changes in these original assumptions, facts and/or economic conditions that were unknown at the time the original budget was compiled. In addition, by policy, the board reviews all expenditures throughout the year.

The original revenue budget for 2005 was less than the actual revenue by \$55,602. This was due, in large part, to a reduction in charges for services of \$34,480. The Conservation District's original expenditures were projected at \$142,203 while actual expenditures were \$106,444 resulting in actual expenditures under budget by \$35,759. This was primarily due to the following activities expending more funds than originally budgeted: The loss of the education program with a cost savings of \$8,577 in wages; the reseeding program also ceased resulting in a cost savings of \$22,952.

Capital Assets and Debt Administration

The Conservation District does not have any capital assets or debt.

Economic Factors and Next Year's Budget

The Directors of the Conservation District considered many factors when setting the fiscal year 2005 budget. One of the factors is the economy. The Conservation District derives approximately half of its revenues from tree sales. The recent economic downturn has resulted in less revenue from tree and seed sales. More patrons are choosing to wait for cost share programs and are less willing to install conservation plans on their own.

IONIA CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

The board realizes, and the reader should understand, that there are not sufficient funds available to consult with every land owner in Ionia County; therefore, the board attempts to spend the public's money wisely and equitably and in the best interest of the land owners and the citizens of Ionia County.

Contacting the Conservation District's Financial Management

This financial report is designed to provide the land owners, citizens and other interested parties a general overview of the Conservation District's finances and to show accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Conservation District for Ionia County administrative offices at: 2568 Heartland Boulevard, Ionia, Michigan 48846-8438.

**IONIA CONSERVATION DISTRICT
GOVERNMENTAL FUNDS BALANCE SHEET
AND STATEMENT OF NET ASSETS
September 30, 2005**

EXHIBIT A

	Modified Accrual Basis	Adjustments	Statement of Net Assets
<u>ASSETS</u>			
Cash and Cash Equivalents	\$15,573		\$15,573
Accounts Receivable	630		630
Inventories	77		77
Due From State	3,378		3,378
	<hr/>		
Total Assets	\$19,658	\$ -	\$19,658
<u>LIABILITIES</u>			
Current Liabilities			
Accounts Payable	\$ 2,905		\$ 2,905
Accrued Wages Payable	684		684
Sales Tax Payable	113		113
Deferred Revenue--Tree Sales	1,069		1,069
Long-Term Liabilities			
Accrued Liabilities (Sick and Vacation)		\$ 2,219	2,219
	<hr/>		
Total Liabilities	4,771	2,219	6,990
<u>FUND BALANCE/NET ASSETS</u>			
Fund Balance			
Reserved for Inventory	77	(77)	-
Unreserved/Undesignated	14,810	(14,810)	-
	<hr/>		
Total Fund Equities	14,887	(14,887)	-
	<hr/>		
Total Liabilities and Fund Balance	19,658	(12,668)	-
	<hr/>		
Net Assets			
Unrestricted		12,668	12,668
	<hr/>		
Total Net Assets	\$ -	\$ 12,668	\$12,668
	<hr/>		

The Notes to Financial Statements are an integral part of this statement.

IONIA CONSERVATION DISTRICT
STATEMENT OF GOVERNMENTAL FUND REVENUE,
EXPENDITURES AND CHANGES IN FUND BALANCE
AND STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2005

EXHIBIT B

	Modified Accrual Basis	Adjustments	Statement of Net Activities
Revenue			
Federal Grants	\$ 2,269		\$ 2,269
State Grants	19,200		19,200
Contributions From Local Units	10,000		10,000
Charges for Services	54,470		54,470
Interest and Rents	382		382
Other Revenues	280		280
Total Revenue	86,601	\$ -	86,601
Expenditures			
Other General Government	106,444	2,219	108,663
Total Expenditures	106,444	2,219	108,663
Excess of Revenue Over (Under) Expenditures	(19,843)		
Change in Net Assets		(2,219)	(22,062)
Fund Balance/Net Assets--Beginning of Year	34,730	-	34,730
Fund Balance/Net Assets--End of Year	\$ 14,887	\$ (2,219)	\$ 12,668

The Notes to Financial Statements are an integral part of this statement.

IONIA CONSERVATION DISTRICT
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES--BUDGET AND ACTUAL
GENERAL OPERATING FUND
For the Year Ended September 30, 2005

EXHIBIT C

	GENERAL OPERATING FUND			
	Orginal Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Federal Grants	\$ 23,000	\$ 23,000	\$ 2,269	\$ (20,731)
State Grants	20,000	20,000	19,200	(800)
Local Units of Government	10,000	10,000	10,000	-
Charges for Services	88,950	88,950	54,470	(34,480)
Interest and Rents	203	203	382	179
Other	50	50	280	230
Total Revenue	142,203	142,203	86,601	(55,602)
Expenditures				
Soil Conservation Operations	142,203	142,203	106,444	35,759
Total Expenditures	142,203	142,203	106,444	35,759
Excess of Revenues Over (Under) Expenditures	-	-	(19,843)	(19,843)
Fund Balance--October 1, 2004	34,730	34,730	34,730	-
Fund Balance--September 30, 2005	\$ 34,730	\$ 34,730	\$ 14,887	\$ (19,843)

The Notes to Financial Statements are an integral part of the statement.

IONIA CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE A--DESCRIPTION OF DISTRICT OPERATIONS AND FUND TYPES

The accounting policies of the Ionia Conservation District (District) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by Ionia Conservation District:

Reporting Entity

Ionia Conservation District is located in Ionia County and provides services to approximately 60,000 residents in many conservation areas. Ionia Conservation District is governed by a five member board. The District board consists of the chair, vice-chair, secretary/treasurer and two directors whom reside in the community.

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity," these financial statements present the records of the District. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. Accordingly, there are no other governmental units that are required to be included in the financial statements.

NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the activities of Ionia Conservation District. There is only one fund reported in the government-wide financial statements.

GOVERNMENTAL FUNDS

General Fund

This fund is used to account for all financial transactions except those provided for in another fund. The fund includes the general operating expenditures of the District. Revenues are primarily derived from grants, county appropriation, tree sales and donations. The fund includes the general operating expenditures of the entity.

IONIA CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized when it is both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Revenues are recognized in the accounting period in which they become susceptible to accrual, that is, when they become both measurable and available to finance expenditures of the fiscal period. Intergovernmental revenue, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the conservation district.

Budgets and Budgetary Accounting

Budgets are adopted by the District Board for the General Operating Fund. The budgetary basis of accounting does not differ significantly from the modified accrual basis used to reflect revenues and expenditures for the fund. The budget is adopted at the fund level and control is exercised at the line item level. The District Board monitors and amends the budgets as necessary.

IONIA CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The budget revenues and expenditures for the general operating fund, as presented in Exhibit C, include any authorized amendments to the original budget as adopted.

Deposits and Investments

The cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less from the date of acquisition. Investments are stated at fair value and short-term investments are reported at cost, which approximates fair value, when obtained.

Accounts Receivable

At September 30, 2005, the accounts receivable for the District was \$630 which consists of \$321 in undeposited tree sale pre-orders and \$299 in charges for services rendered to others.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE C--LEGAL COMPLIANCE

Budgeted Funds

Public Act 2 of 1968, as amended, requires the legislative body to adopt a general appropriations act for the budget of the General Fund. The act also requires that amendments be approved as needed to prevent actual expenditures from exceeding those provided for in the General Appropriations Act.

The District's budget policy provides for the board to adopt and control the General Fund's budgets at the fund level. During the year ended September 30, 2005, expenditures were in compliance with Public Act 2 of 1968.

Adoption of Investment Policy

According to Public Act 20 of 1943, as amended, a formal investment policy is to be adopted by the board no later than August 31, 1998. As of September 30, 2005, the board of directors has not adopted an investment policy. The policy must also be compliant with GASB Statement No. 40.

IONIA CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE C--LEGAL COMPLIANCE (Continued)

Adoption of Automated Clearing House Policy (ACH)

According to Michigan Compiled Laws (MCL) 124.303:

“A local unit shall not be a party to an Automated Clearing House (ACH) arrangement unless the governing body of the local unit has adopted a resolution to authorize electronic transactions and the treasurer or the Electronic Transaction Officer (ETO) of the local unit has presented a written ACH policy to the governing body.”

Ionia Conservation District electronically transfers funds for payroll withholdings and receives direct deposits without legal authority.

NOTE D--CASH AND INVESTMENTS

MCL 129.91 authorizes the District to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The District has not adopted an investment policy in accordance with the requirements of Public Act 20 of 1943, as amended, or GASB Statement No. 40. Excluding the lack of an investment policy, the District's deposits are in accordance with statutory authority. The District Board has designated one credit union for the deposit of District funds.

At year end, the Districts's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>
Cash and Cash Equivalents	<u>\$ 15,573</u>
Total	<u><u>\$ 15,573</u></u>

The bank balance of the primary government's deposits is \$17,803, of which \$16,472 is covered by Federal depository insurance.

IONIA CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE D--CASH AND INVESTMENTS

Investments Authorized by the Entity's Investment Policy

The District's informal investment policy only authorizes investment in all those that are authorized by law. The District has limited their investments to certificates of deposit that may extend beyond 1 year. The District does not have a written formal investment policy. Management has not addressed their exposure to interest rate risk, credit risk, and concentration of credit risk.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

The District has not addressed interest rate risk.

Concentration of Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Long-term certificates of deposit do not have a rating provided by a nationally recognized statistical rating organization.

The District has not addressed concentration of credit risk.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Michigan law and the District's formal investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits.

The District has not addressed custodial credit risk.

NOTE E--RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District continues to carry commercial insurance for property, liability, wrongful acts, crime, inland marine, and other risks of loss including workers' compensation and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past 3 fiscal years.

IONIA CONSERVATION DISTRICT
SCHEDULE OF REVENUES
BUDGET AND ACTUAL--GENERAL OPERATING FUND
For the Year Ended September 30, 2005

EXHIBIT D

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Federal Grants				
NRCS Education	\$ 23,000	\$ 23,000	\$ 2,269	\$(20,731)
Total Federal Grants	23,000	23,000	2,269	(20,731)
State Grants				
MDA--Operations	20,000	20,000	19,200	(800)
Total State Grants	20,000	20,000	19,200	(800)
Local Units of Government				
Ionia County	10,000	10,000	10,000	-
Total Local Units of Government	10,000	10,000	10,000	-
Charges for Services				
Workshops	500	500		(500)
Soil Books	400	400	193	(207)
Drill	1,250	1,250	1,299	49
Tree Sales	47,000	47,000	41,483	(5,517)
Seeds	35,000	35,000	2,784	(32,216)
Bulbs			2,323	2,323
Other Books	3,000	3,000	2,859	(141)
Materials for Resale	1,800	1,800	3,529	1,729
Total Charges for Services	88,950	88,950	54,470	(34,480)
Interest and Rents				
Interest Earned	203	203	382	179
Total Interest and Rents	203	203	382	179
Other				
Donations From Private Sources	50	50	280	230
Total Other	50	50	280	230
Total Revenues	\$142,203	\$142,203	\$86,601	\$(55,602)

IONIA CONSERVATION DISTRICT
SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL--GENERAL OPERATING FUND
For the Year Ended September 30, 2005

EXHIBIT E

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
General Government				
Payroll Expenses--Administrator	\$ 31,815	\$ 31,815	\$ 32,692	\$ (877)
Payroll Expenses--Education Coordinator	28,288	28,288	19,711	8,577
Payroll Expenses--Directors	2,750	2,750	1,900	850
Workers' Compensation Insurance	425	425	809	(384)
Insurance Unemployment			1,507	(1,507)
IRA Expense	240	240	320	(80)
Employer Match	4,820	4,820	4,217	603
Supplies	300	300	5	295
Postage	2,000	2,000	1,848	152
Professional Services	3,000	3,000	2,485	515
Drill Expense	2,065	2,065	1,290	775
District Other	1,400	1,400	1,829	(429)
Equipment Maintenance and Repair	250	250		250
Printing	2,700	2,700	1,212	1,488
Education	2,000	2,000	6,082	(4,082)
Advertising and Promotion	2,000	2,000	1,369	631
Mileage	4,000	4,000	1,904	2,096
Phone	-	-		-
Dues	1,100	1,100	1,050	50
District Expense Bank Charges	50	50	718	(668)
Shipping and handling			388	(388)
Cost of Goods/Trees Sold	25,000	25,000	19,744	5,256
Cost of Seed Sold	25,000	25,000	2,048	22,952
Cost of Books Sold	2,000	2,000	1,967	33
Cost of Bulbs Sold			1,111	(1,111)
Materials for Resale	1,000	1,000	238	762
Total Expenditures	\$ 142,203	\$142,203	\$ 106,444	\$ 35,759



JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

JAY B. RISING
STATE TREASURER

November 14, 2005

Board of Directors
Ionia Conservation District
25614 Heartland Boulevard
Ionia, Michigan 4141446-144314

RE: Report on Compliance and on Internal Control over Financial Reporting
Based on an Audit of Financial Statements Performed in Accordance With
Government Auditing Standards

Dear Directors:

We have audited the financial statements of the Ionia Conservation District, Ionia County, Michigan, as of and for the year ended September 30, 2005, which collectively comprise Ionia Conservation District's basic financial statements and have issued our report thereon dated November 14, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance--As part of obtaining reasonable assurance about whether Ionia Conservation District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. However, we did note other instances of noncompliance described in the accompanying comments and recommendations.

Internal Control Over Financial Reporting--In planning and performing our audit, we considered Ionia Conservation District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Ionia Conservation District's ability to record, process, summarize and report financial data

consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying comments and recommendations.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we did not consider any of the reportable conditions to be material weaknesses.

This report is intended solely for the information and use of the management, the board of directors, Federal awarding agencies, and State and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



Cary Jay Vaughn, CPA, CGFM
Audit Manager
Local Audit and Finance Division

IONIA CONSERVATION DISTRICT
COMMENTS AND RECOMMENDATIONS

OTHER REPORTABLE CONDITIONS

Although the following are not considered material weaknesses in internal control, we wish to point out certain other reportable conditions for consideration by the management of Ionia Conservation District.

Checking Account Bank Reconciliation Cut-off and Comparison to Accounting Records

Finding 04-01

Condition: The checking account is being reconciled to the balance maintained in the checkbook and not to the balance in the accounting records. The cut-off being used is the day the reconciliation is being made. This procedure does not allow for the actual month end balance to be compared with the bank reconciliation.

Criteria: The ending bank statement balance should be reconciled to the book balance, including the identification of all reconciling items (deposits in transit, outstanding checks, overages, shortages, unrecovered NSF checks, bank service charges, checks cleared in error, bank errors, credit memos, debit memos and other items on the bank statement that are not on the accounting records and vice versa).

Reconciling items should be brought to the attention of the bank and responsible management. The items should be properly disposed of, adjusted and eliminated prior to completion of the following month's bank reconciliation.

Unreconciled differences between the bank statement balance and the book balance should be resolved on a timely basis. Should an unreconciled difference exist which cannot be found, the unreconciled difference should be properly adjusted through the budget on at least an annual basis.

In order to properly monitor the completion of bank reconciliations on a current basis and to be aware of any unreconciled differences, completed bank reconciliations should be periodically reviewed by management.

Recommendation: Bank reconciliations should follow the above procedures and use a cut-off of the last day of the month.

Management Response: The bank statement reconciliation will follow the recommended procedures.

Payment Voucher Requests

Finding 04-02

Condition: Payment vouchers do not included the account classification that the item is to be charged.

Criteria: Source documentation must include account classification for posting to the accounting records.

IONIA CONSERVATION DISTRICT
COMMENTS AND RECOMMENDATIONS

OTHER REPORTABLE CONDITIONS (Continued)

Recommendation: We recommend that the account classification be included on the disbursement voucher. The account classification should be checked prior to payment to ensure that there is sufficient budget available to make the requested disbursement.

Management Response: Account classifications have been added to the payment voucher October 1, 2005.

Accrued Wages Payable

Finding 04-03

Condition: Accrued wages payable is not recorded by the District at year end. The fiscal year ended September 30, 2005 is the third year that Michigan Department of Agriculture has required modified accrual based accounting records.

Criteria: Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay the liabilities of the current period. Current expenditures are generally recorded when the fund liability is incurred, if measurable.

Recommendation: We recommend accrued wages be recorded at year end for wages earned by employees but not yet paid. The District match for Social Security would also be included as part of the accrual.

Management Response: Support for accrued wages will be provided as of each year end. Vacation and sick liability will be reported monthly to the board. A spread sheet has been created on November 10, 2005 to track the monetary value for easy reporting.

NONCOMPLIANCE WITH STATE STATUTES

Our examination revealed the following instance of noncompliance with State statutes.

Investment Policy

Finding 04-07

Condition: As of September 30, 2005, the Board of Directors has not adopted an investment policy that complies with Public Act 20 of 1943, as amended, and GASB Statement No. 40 reporting requirements.

Criteria: According to Public Act 20 of 1943, as amended, a formal investment policy is to be adopted by the board no later than August 31, 1998.

Recommendation: We recommend that an investment policy be established in accordance with State statute and GASB reporting requirements.

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NONCOMPLIANCE WITH STATE STATUTES (Continued)

Management Response: The current policy adopted January 12, 2004 will be revised to comply with the recommendation.

Electronic Transactions of Public Funds

Finding 04-08

Condition: Ionia Conservation District electronically transfers funds for payroll withholdings and receives direct deposits without legal authority.

Criteria: According to MCL 124.303:

“A local unit shall not be a party to an Automated Clearing House (ACH) arrangement unless the governing body of the local unit has adopted a resolution to authorize electronic transactions and the treasurer or the Electronic Transaction Officer (ETO) of the local unit has presented a written ACH policy to the governing body. The ACH policy shall include all of the following:

(a) That an officer or employee designated by the treasurer or ETO is responsible for the local unit's ACH agreements, including payment approval, accounting, reporting, and generally for overseeing compliance with the ACH policy.

(b) That the officer or employee responsible for disbursement of funds shall submit to the local unit documentation detailing the goods or services purchased, the cost of the goods or services, the date of the payment, and the department levels serviced by payment. This report can be contained in the electronic general ledger software system of the local unit or in a separate report to the governing body of the local unit.

(c) A system of internal accounting controls to monitor the use of ACH transactions made by the local unit.

(d) The approval of ACH invoices before payment.

(e) Any other matters the treasurer or ETO considers necessary.”

Directive: We direct the Conservation District board to adopt a resolution to authorize electronic transactions and to adopt a policy that includes the above mentioned items.

Management Response: Policies will be reviewed at the regular January board meeting for future updating to comply with the law for electronic transfers.